

DEC 0 9 1993

Dear Applicant:

I have considered your application for recognition of exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED], under the laws of the State of [REDACTED]. Your purpose and activities are to provide for the maintenance and repairs of the external no common portions of [REDACTED]. Also you will provide hazard and liability insurance.

Membership is open to any person who is an owner of a condominium unit. Our support will be received from dues and assessments to the members. These funds will then be used for the payment of the maintenance and repair of the area and hazard and liability insurance.

Section 501(c) of the Code describes certain organizations exempt from federal income tax under section 501(a) and reads, in part, as follows:

"(1) Business leagues, chambers of commerce, real estate boards, boards of trade, ***, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that, for an organization to be exempt, its activities must be:

"...directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons..."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that:

"...business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit...even though the business is

Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[REDACTED]					

conducted on a cooperative basis or produces only sufficient income to be self-sustaining..."

Your activities are to provide hazard and liability insurance and maintenance and repair of common areas of the condominiums.

Any organization described in Section 501(c)(6) of the Internal Revenue Code must have a common business interest; promote this interest, and not engage in a regular business of the kind ordinarily carried on for profit. When applying the law to the facts of your organization, you do not promote or have a common business interest.

Therefore, we conclude that your primary activities are not those of an organization exempt under Section 501(c)(6) of the Internal Revenue Code. Therefore exemption under section 501(c)(6) of the Code is denied.

Although you do not qualify for exempt under Section 501(c)(6) of the Internal Revenue Code, it appears that you may qualify for treatment under Section 528, which is applicable to certain homeowners associations. The Internal Revenue Service is not ruling on the question of whether the organization qualifies for treatment under Section 528, and there are no application forms to be filed. If you believe you qualify for such treatment, you should file Form 1120-H.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,


District Director

cc: LOANFEST
Publication 588
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